Monthly Economic Monitor Ukraine

- The President proposed new constitution.
- Economic activity somewhat rebounded in February compared to January but recession has remained deep.
- The Government approved the financial plan for Naftogas with small profit but the company's financial state remains doubtful.
- The central fiscal revenues (general funds) declined by 15.0% yoy in the first two months of the year.
- Pension fund will be in deficit in 2009.
- The ILO unemployment rate reached 7.5% in the fourth quarter of 2008.
- Inflation decelerated to 18.1% yoy in March.
- Inter-bank exchange rate remained in UAH/USD 7.9-8.0 range for the most of March.
- HIGHLIGHT OF THE MONTH: Brussels gas declaration

No.4 (102)
April
2009

Population: 46.4 m
Industry/GDP: 32%
Agriculture/GDP: 7%
Investment/GDP: 29%
Exports to: Russia 26%, EU 28%
Imports from: Russia 28%, EU 37%

Politics: A new attempt of constitutional reform by the President

On March 31, President Viktor Yushchenko delivered his annual address to the Verkhovna Rada. In his speech, Viktor Yushchenko urged all the parties to unite to advance national interests. The President used this occasion to outline main achievements of his presidency, including strengthening freedom of speech, raising awareness about Holodomor (famine), increasing foreign investments and strengthening energy security. At the same time, the President outlined major threats: hard economic situation, deepening political crisis and the risk of social unrest.

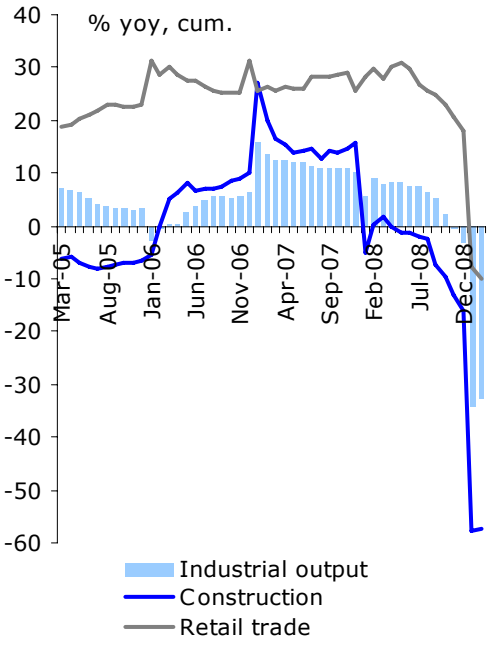
One of the key elements of the President's address was the new constitution. President Viktor Yushchenko proposed to create a bicameral Parliament and change current electoral system. Moreover, he proposed to reduce the number of deputies and to abolish their immunity from prosecution. In addition, the President suggested a profound reorganization of local government providing for the abolition of district state administrations. The opposition and pro-government factions criticized the President's proposals that makes their passing in the Parliament (requiring the constitutional majority of 300 votes) rather unlikely.

Real sector: Real output rebounded in February from January slump

In February, industrial production rose by 5.4% mom though it contracted by 31.6% yoy, slowing down its contraction by 2.5 p.p. from January. The main drivers of February rebound were stable gas supply, absence of holidays, and more favourable conditions on external markets. Almost all manufacturing sectors increased production from the previous month. Thus, the rate of contraction in manufacturing declined by 3.7 p.p. to 37.9% yoy compared to January. Extractive industry also reduced contraction in February by 5.7 p.p. to 15.7% yoy as metal production and thus demand increased. However, decline in production and distribution of electricity, water, and gas largely counterweighted achievements in manufacturing and extractive industry.

Most of domestic-oriented sectors continued shrinking in February. In particular, retail trade sales contraction accelerated from 7.1% yoy in January to 9.4% yoy for two months as consumer sentiment became gloomier. Over January and February, freight transportation declined by 37.9% yoy due to decrease in domestic demand. The construction contracted by 57.3% yoy. Among large sectors of the economy only agriculture grew slightly.

Real sector trends



Source: Derzhkomstat

Sectoral trends: Government expects profit in Naftogas

Gas. On March 11, the Government adopted the financial plan of NJC "Naftogas of Ukraine" for 2009. The approval of the financial plan

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was required by the IMF. The revenues and expenditures of Naftogas are projected at UAH 97.6 bn and UAH 95.2 bn, accordingly, thus resulting in profit at UAH 2.4 bn. Financial plan carries several important risks. First, the plan includes higher compensation from the budget than envisaged in the Budget Law. Moreover, Naftogas still has to secure financing for pumping gas in underground storages for the heating season 2009-2010. Yet other problem is in ambiguous legal status of gas previously owned by CJSC "RosUkrEnergo" that was transferred to NJC "Naftogas" according to the contract between the company and OJSC "Gazprom" (Russia).

Agriculture. The Ministry of Economy delayed a distribution of 260 000 tonnes tariff quota for sugar cane previously scheduled for April 2. Tariff quota implying import with 2% import duty was introduced in 2009 in accordance with terms of the WTO accession. Quota is relatively small at 11% of internal market estimated at 2.2-2.3 m tonnes. However, higher uncertainty due to unclear timing for imports may cause further increase in the price for sugar on domestic market.

Telecommunications. The Resolution of the National Commission for Communications Regulation (NCCR) that came into force in March legally defined the markets, in which telecommunications operators compete. It will allow the Antimonopoly Committee (AMC) to determine the distribution of market power on various segments of telecommunication services and thus monopolists on these markets. If the AMC determines that major telecom operators are monopolists, the NCCR will start regulating rates of interconnection between telecom operators improving competition and preventing conflicts on the market.

Transport. The Cabinet of Ministers set minimum tariffs for freight auto transportation, the service provided mostly by private companies. This decision was explained by the need to prevent some automobile freight transporting companies from undercutting others. However, this form of intervention violates the principles of market competition, signalling about the readiness of the Government to increase its role in administrating the economy. High level of state interventions could stabilize situation in the short-run, but could hamper economy's restructuring and thus its recovery in medium-term perspective.

In March, tariffs for passenger rail travel were increased. In particular, tickets in coach became 4.7% more expensive, in compartment 7.4% more expensive. Regular rail tariffs increases are not followed by sector reforms and services quality improvements.

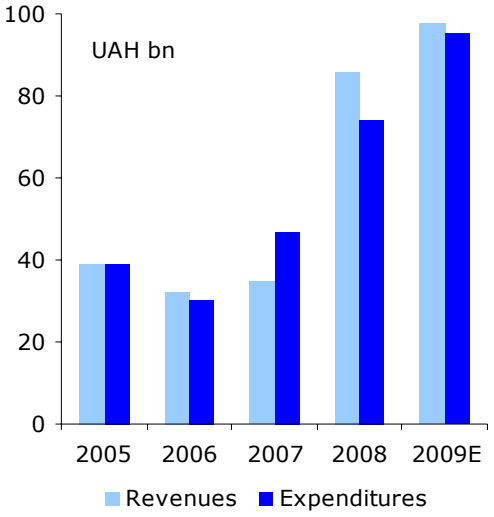
External sector: Net longer-term borrowings from abroad turned positive in February

According to the NBU preliminary estimates, in February current account balance remained positive but decreased to USD 0.1 bn. The commodity trade balance turned negative due to acceleration of a slump in commodity exports. Exports fell by 42.1% yoy in dollar terms in February due to further deterioration of demand for machinery and metals. Commodity imports declined by 53.8% yoy with import of machines and equipment suffering the most. Commodity trade deficit was compensated by improvements in services trade surplus (USD 0.3 bn) and net inflow of current transfers (USD 0.2 bn).

Financial account deficit shrunk slightly to USD 2.2 bn in February thanks to accelerated inflow of longer-term foreign capital. In particular, net long- and medium-term borrowings turned positive at USD 0.3 bn after net outflow in January. Also, net FDI inflow continued at over USD 0.2 bn. The financial account deficit was formed mostly by increased outflow of foreign cash from banks that reached USD 2.1 compared to USD 1.0 bn in January.

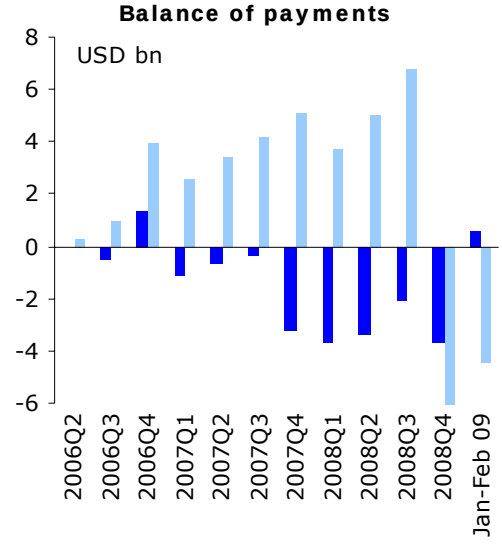
The Government cancelled the 13% import surcharge for all products except cars and refrigerators responding to international and domestic pressure. Cars and refrigerators constitute approximately a half of imports subject to surcharge, i.e. approximately 8% of

NJC Naftogas financial statements*



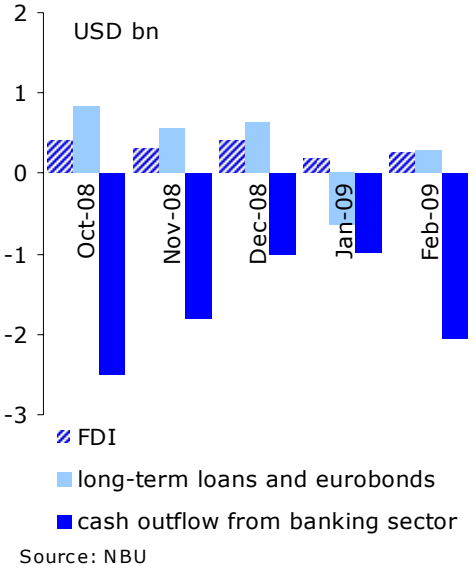
* National accounting standards; figures for 2009 are from company's financial plan
Source: NJC 'Naftogas Ukrainy'

Balance of payments



Source: NBU

Financial account



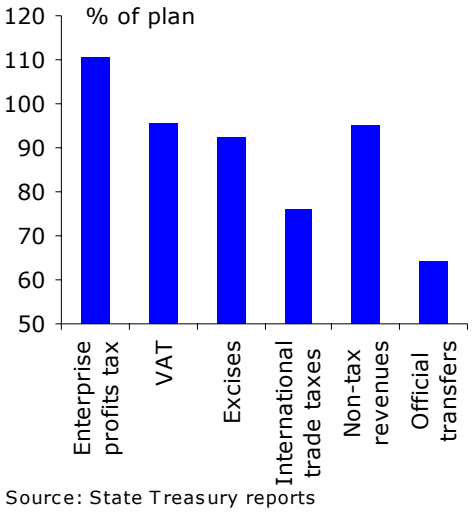
Source: NBU

imports in 2008. Economic costs of the remaining surcharge outweigh its benefits, but its removal will depend on the balance of political interests.

Fiscal policy: Central fiscal revenues fell by 15% yoy between January and February

Between January and February central fiscal revenues due to the general fund were executed at 95.0% of the target, or UAH 21.6 bn that is by 15.0% lower than a year before. In particular, the VAT collections were by 4.7% lower than planned figures, though their execution improved compared to a previous month primarily thanks to higher receipts from VAT paid on domestically produced goods (107.0% of the target). Receipts from taxes on international trade, excises, and majority of non-tax items were lower than expected. On the other hand, enterprise profits tax (EPT) revenues were over-executed by 10.4% due to overly pessimistic plan, high tax payments by enterprises with foreign ownership and likely tax payment advances. The execution of central fiscal expenditures made from the general fund improved to 92.2% of the target and central fiscal deficit in the general fund classification reached UAH 2.8 bn.

Central fiscal revenues execution in January-February 2009



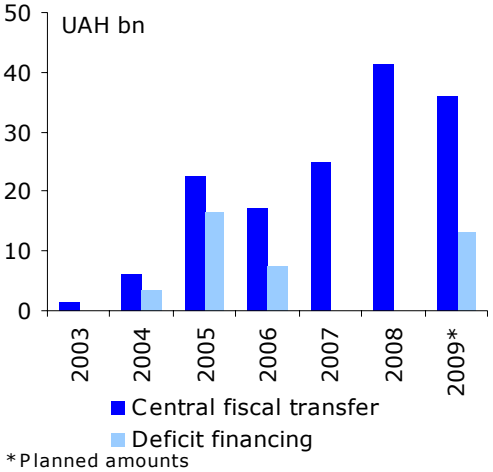
Source: State Treasury reports

Social policy: The Pension Fund will be in deficit in 2009

In March, the Pension Fund published the budget report for 2008. The Pension Fund received revenues of UAH 143 bn, 28.9% of which were obtained in form of central fiscal transfer. The gap between revenues and expenditures of the Fund amounted to UAH 6.9 bn. It was financed using money accumulated by the Fund at the beginning of 2008 and the loan received from the Unified Treasury Account.

The Government approved the budget of the Pension Fund for 2009 with a deficit at UAH 15.2 bn. The major part of the deficit (UAH 13.5 bn) is to be financed at the expense of special central fiscal transfer, while the rest will be covered by funds provided by the Government in 2008. The total Fund's revenues are envisaged at UAH 148 bn, which include central fiscal transfer of UAH 35.8 bn foreseen for financing different state pension programs and compensating the Pension Fund for the losses caused by lower contributions envisaged by fixed agricultural tax scheme. The Fund's budget does not foresee deficit financing at the expense of loans from the Unified Treasury Account. However, the Ministry of Finance has a right to provide short-term loans to the Pension Fund to finance cash flow mismatches for ensuring timely and full payment of pensions in 2009. The Pension Fund has already received such loans in the first quarter of the year.

Central fiscal transfer to the Pension Fund



*Planned amounts

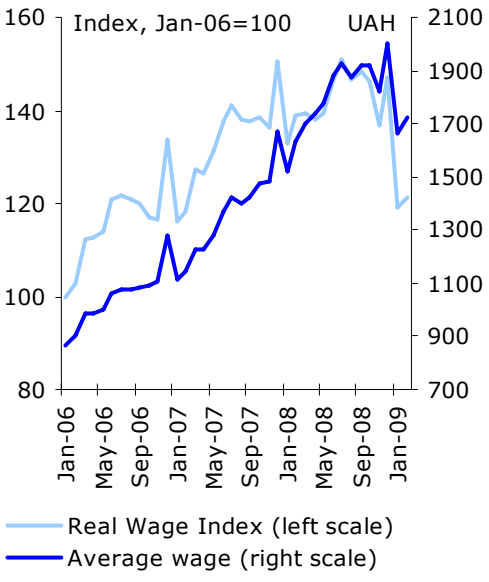
Source: Treasury reports for 2002-2008; State budget law for 2009

Labour market: ILO unemployment rate increased to 7.5% in the fourth quarter of 2008

According to the Derzhkomstat, the ILO unemployment rate for individuals aged between 15 and 70 was at 6.4% on average in 2008. In the fourth quarter the unemployment picked up to 7.5% compared to 5.5% in the third quarter of the year after the economic situation in the country sharply deteriorated.

In February nominal average wage increased by 3.5% mom and 5.7% yoy to UAH 1723. Nevertheless, it reached only April 2008 levels. In real terms average wage dropped by 12.7% yoy. Real wages fell in all sectors with the sharpest wage declines registered in construction, and manufacturing of vehicles and transportation equipment reflecting the highest contraction of these sectors.

Average wage



Source: Derzhkomstat

Monetary policy: Inflation decelerated to 18.1% yoy in March

Consumer inflation decelerated to 18.1% yoy in March. High statistical base determined lower CPI growth. Limited incomes and high debt burden of the households also constrained inflation pressure. At the same time, despite some degree of stabilisation on the foreign exchange market, inflation expectations remained elevated and maintained inflation at high level. Core inflation remained high in March at 23.0% yoy.

The NBU restored independence of the monetary policy as Articles 84 and 86 of the State Budget Law for 2009 were cancelled by the Parliament. According to these articles, the government could block the NBU refinancing, and the NBU was obliged to buy government bonds from banks. The cancellation was among the requirements for resumption of the cooperation with the IMF.

Money supply growth continued to decelerate in March to 11.4% yoy, as money multiplier decreased drastically due to the growing share of cash in money supply. Increased refinancing of the banks and slower withdrawals of deposits in March improved liquidity and drove overnight rates on the inter-bank market down to 6-9% p.a in the third decade of March from 71.5% p.a on March 4.

Financial markets: Hryvnya remained in UAH/USD 7.90-8.00 range for the most of March

Exchange rate. Average inter-bank exchange rate remained stable in UAH/USD 7.90-8.00 range in March according to the NBU data. Reuters reported higher volatility with highs of UAH/USD 8.4-8.5 on March 2-3 and 8.18 on March 12-16. However, for the rest of the month Reuters reported results similar to those of the NBU. More or less balanced trade, significant NBU interventions and slowed capital outflows were likely to contribute to the stability in foreign exchange market. On the other hand, short-term perspectives of the hryvnya remain clouded as the economic agents have low confidence in hryvnya and external debt service obligations remain high. Moreover terms of the cooperation with IMF remains uncertain though parties are now closer to a compromise.

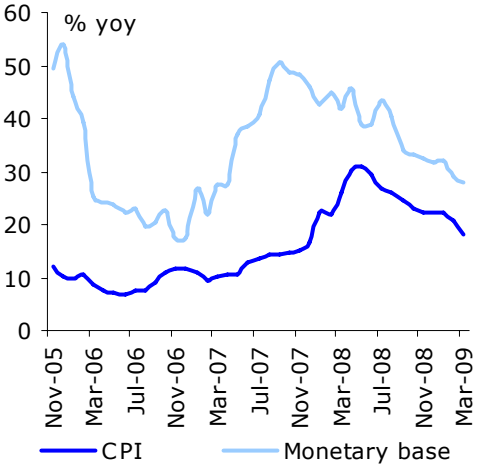
Banking sector. Deposit withdrawals somewhat accelerated in February. Deposit stock fell by 5.6% mom in February compared to 5.1% mom in January largely due to withdrawals of foreign currency deposits that declined by 6.7% mom. The continued reduction in deposits likely reflects not only low confidence of economic agents in banking system, but also the decline in incomes (including foreign currency receipts) forcing economic agents to start spending savings. Confronting a lack of credibility of the banking sector, Ukrainian banks toughened a competition for the deposits of non-financial corporations. The banks increased their deposit interest rate for the real sector companies to 18.0% p.a. from 14.5% p.a. in January, while short-term deposits were attracted from non-financial corporations at even higher rates (19.3% p.a. in February vs. 15.5% in January).

Banks slightly accelerated national currency lending to the real sector to 3.7% mom, while restrictions on the foreign currency lending hampered such loans, the stock of which reduced by 3.5% mom. The biggest share of newly issued loans was directed to wholesale trade, construction and food production.

State debt. In March, the Finance Ministry placed short-term domestic state bonds maturing in the beginning of 2010. The placement amounted to UAH 1.5 bn with 15.6% p.a. yield. It is likely that state banks bought these bonds to resell them to the NBU on the secondary market.

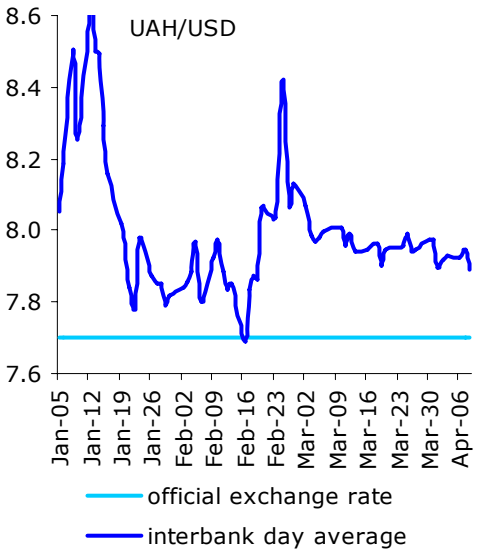
On March 25, the Cabinet of Ministers approved the Concept of Domestic State Bonds Market Development in 2009-2013. In particular, the government plans to increase the predictability and regularity of the domestic state bond issuance by introducing the equal distribution of state bonds placement during the budget year. Besides, the document envisages medium-term state debt management and the introduction of the primary dealer system. These measures are likely to have minor short-term impact, while in longer-term they may reduce borrowing costs and stimulate the development of domestic bond market.

CPI and monetary base development



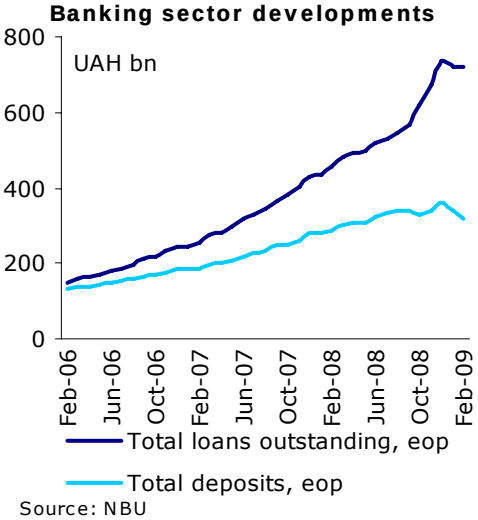
Source: Derzhkomstat, NBU

Exchange rate



Source: Reuters Investor, NBU

Banking sector developments



Source: NBU

Highlight of the month: Brussels gas declaration

The EU will support Ukraine in gas transport system modernization

by Dmytro Naumenko

In March Ukraine, the EU and several international organisations signed a Declaration aimed at modernisation of Ukraine's gas transport system. If successfully implemented, the modernisation could result in ensuring higher energy security in Europe, the issue that gained much greater importance for the EU since January gas supply ceasing. Ukraine gas transport system with the annual volume of transit for Europe of 140 bn cm (bcm) of gas remains the key transit pipeline for the EU. At the same time, an obsolete equipment and gas meters' problems carry growing risk of future gas flow interruptions while Ukraine lacks own resources to invest into facilities' modernization.

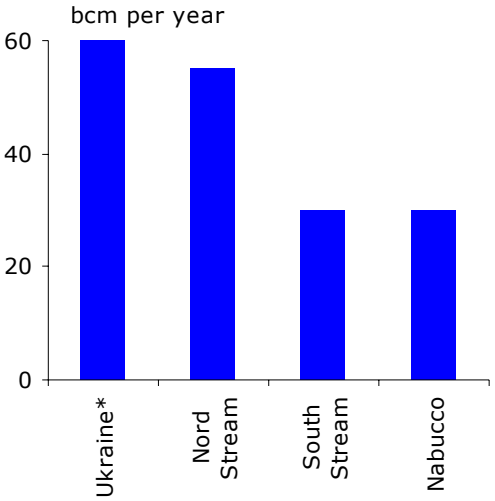
The issue of Ukraine's gas transport system modernization was discussed at an international investment conference in Brussels on March 23, 2009 where the Declaration was signed by Ukraine, the EU, the EBRD, the European Investment Bank and the World Bank. Thereby the EU expressed intention to support Ukraine in attracting international organisation loans. The Declaration goes in line with the official policy of the EU aimed at ensuring higher energy security of Europe through modernisation of transit facilities in the Eastern Europe and enhancing transparency of their gas markets.

The Declaration stipulates Ukraine's commitment to reform national gas market in return for loans from international organizations for modernization of the country's gas transit facilities. The initial investment in gas main modernization was estimated at USD 2.75 bn. Moreover, the parties expressed a desire to expand the capacity of Ukraine's gas transport system by 60 bcm, for which additional USD 5-6 bn will be needed. In turn, Ukraine promised to create independent gas transit operator with appropriate financial reporting and market-based pricing and operations.

Supporting the main transit facilities in Ukraine the EU will favour for secure delivery of gas through Ukraine territory. Besides, funding of current gas transport system expansion in Ukraine at money of international organizations is less expensive and risky than in case of building new transit pipelines. For example, the total cost of Nord Stream including onshore and offshore pipelines is estimated by Gazprom at USD 17.4 bn, South Stream needs projected investment of USD 33.0 bn and Nabucco project costs USD 10.0 bn, while neither of them would initially provide transit volumes equivalent to Ukraine's transit system[1].

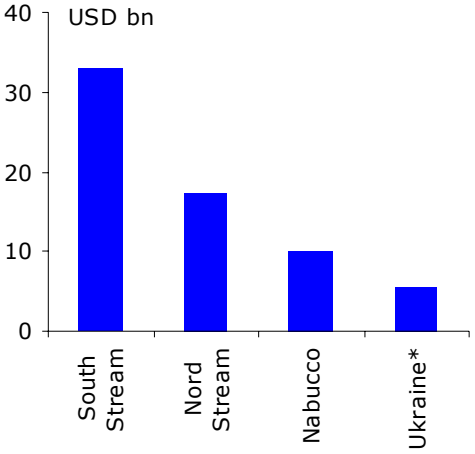
Debt financing of modernization is a commercial project *per se* that requires adequate returns for borrower and lender and thus balancing of interests of key market players. However, the Russian Federation, key current and future gas supplier and thus another interested party in modernization of Ukraine gas transit system, appeared excluded from negotiations and its delegation demonstratively leaved the conference. There are at least two reasons for Russia's dissatisfaction. First, the proposed scheme of debt financing seems inappropriate for Russia as Gazprom is not interested in investing in the Ukrainian pipelines if its managements is not ceded to Gazprom or international consortium led by Gazprom. Another important factor is the clause of the Declaration that concerns the possibility for the EU to buy natural gas in Ukraine either on its western or eastern borders, *de-facto* hurting the

Proposed gas pipelines to the EU (maximum capacity)



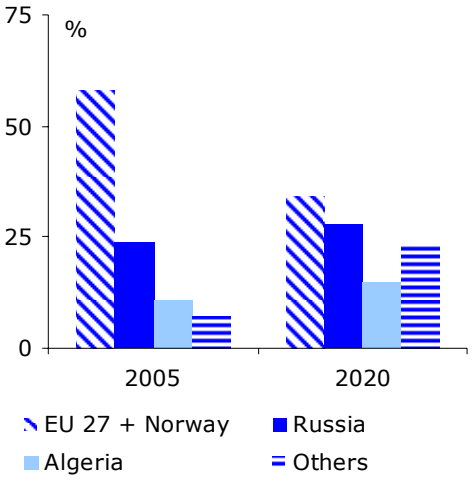
*Proposed capacity expansion
Source: Energobusiness

Proposed gas pipelines to the EU (project cost)



* Proposed capacity expansion
Source: Energobusiness

The EU gas suppliers



Source: Eurogas

[1] Estimates of pipeline construction costs were taken from *Energobusiness*. For Nabucco, an additional problem which reduces supply security is that there are no sufficient gas volume contracted for gas delivery through this pipeline.

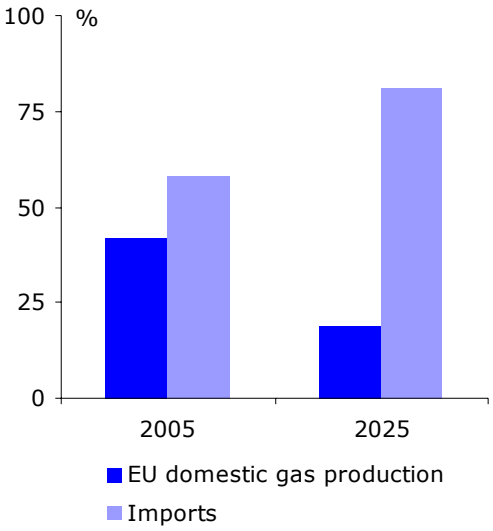
interests of Gazprom as the monopolist supplier of the Russian and Central Asian gas transited through Ukraine to the EU.

Discussed expansion of Ukraine gas transport system bears some risks associated with the shortfalls in supply. If current transit facilities in Ukraine are expanded without considering supplier's interests, there will be no guarantees of receiving required gas supplies to fill the pipe. Gazprom officially declared that it would diversify transit roots of natural gas to the EU and/or minimize transit costs to increase own profitability. Moreover, the ability of Russian monopolist to increase gas transit through Ukraine is limited as gas reserves in Russia are petering out while gas from Central Asia can be redirected to Asian countries, mainly to China.

From Ukraine's side, reform of the internal gas market will be complicated although it should bring important long-term benefits. First, a separation of the gas transit operator from NJC "Naftogas of Ukraine" should improve transparency in gas transit. Besides, the transit company is going to be profitable and able to generate the positive cash flow for investments. Second, the separation of gas transit subsidiary and thus a reduction of cross-subsidisation creates a momentum to reform of loss-making divisions of the company (gas supply for households and heat generation). The company will be forced either to increase its profitability by revision of gas tariffs inside the country or appeal for large budget subsidies to maintain operations.

Ukraine took an important step towards embracing the EU energy strategy that foresees energy sector liberalization without gaining control over the pipeline. Signed Declaration is important for Ukraine gas sector as it could allow financing of the national gas transport system modernization and foster sector reforms. However it should not be taken overoptimistically as it provides no real guarantees of investments in the gas facilities, and the interests of Russia as major gas supplier were not taken into account. Moreover, the reform of the gas market could be extremely difficult.

Natural gas balance of the EU



Source: European Commission

Economic Trends		Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	10.7	10.2	7.9	7.7	5.1	-3.1	2.2	-0.7	-3.1	-34.1	-31.6	…
Construction (real)	% yoy cum.	14.3	15.6	1.7	-1.2	-7.2	-16	-9.6	-13.0	-16.0	-57.6	-57.3	…
Agricultural production (real)	% yoy cum.	-5.1	-5.6	0.2	-0.3	15.1	17.5	17.6	18.0	17.5	0.5	1.1	…
Retail trade turnover (real)	% yoy cum.	28.2	28.8	27.2	28.8	25.1	18.6	23.6	20.9	18.6	-7.1	-9.4	…
Average wage	UAH	1415	1545	1619	1797	1906	1914	1917	1823	2001	1665	1723	…
CPI	% yoy eop	14.4	16.6	26.2	29.3	24.6	22.3	23.2	22.3	22.3	22.3	20.9	18.1
PPI	% yoy eop	19.6	23.3	31.8	43.7	42.7	23.0	37.7	27.4	23.0	20.4	19.0	12.8
Exports (USD)***	% yoy cum.	27.3	27.4	31.1	40.8	46.3	33.8	48.2"	41.7"	35.9"	-33.4"	…	…
Imports (USD)***	% yoy cum.	31.5	34.8	46.0	54.0	56.4	38.8	57.0"	49.4"	41.1"	-56"	…	…
Merchandise trade balance	USD bn cum.	-6.14	-10.6	-4.7	-9.1	-13.2	-16.9	-17.9	-17.7"	-18.5"	-0.4"	…	…
Current account	USD bn cum.	-2.00	-5.3	-3.7	-6.8	-9.2	-12.9	-10.5	-11.7	-12.9	0.5	0.1	…
Current account	% GDP, cum.	-2.5	-4.2	-9.6	-8.2	-5.8	-7.1	-6.5	-6.7	-7.1	x	x	x
Gross international reserves	USD bn eop	30.7	32.5	33.2	35.5	37.5	31.5	31.9	32.7	31.5	28.8	26.5	25.4
Monetary Base	% yoy eop	50.6	46.0	41.5	38.9	33.8	31.5	33.1	32.6	31.6	32.1	29.1	28.1
Lending rate on UAH credits **	% pa, aop	13.7	14.0	15.2	17.4	17.8	21.0	19.4	21.9	21.6	25.6	27.2	26.7
Exchange rate (interbank)	USD aop	5.01	5.04	5.03	4.79	4.70	6.49	5.56	6.11	7.76	8.08	8.23	7.97
Exchange rate (official)	USD aop	5.05	5.05	5.05	4.96	4.85	6.21	5.04	6.00	7.58	7.70	7.70	7.70
Exchange rate (official)	EUR aop	6.93	7.31	7.56	7.75	7.31	8.22	6.75	7.65	10.24	10.29	9.86	10.05

Sources: Derzhkomstat, Ministry of Finance, NBU, IFS, Reuters, own calculations

" Monthly figures are only for merchandise exports and imports (source: Derzhkomstat)
Quarterly figures are for trade in goods and services (source: NBU)

* Monthly figures do not include the regular quarterly revision of the GDP series

**Weighted average for different maturities (source: NBU)

*** Growth rate in dollar terms

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	949.9
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	180.2
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6
Current account	USD bn	1.2	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9
Current account	% GDP	3.8	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.7
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86

Sources: Derzhkomstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit

Notes:

avg	average	**ytd**	year-to-date
cum	cumulative	**p.a.**	per annum
mom	month on month change	**eop**	end of the period
qoq	quarter on quarter change	**aop**	average of the period
yoy	year-on-year change	**gs**	goods and services

Quarterly trends

National accounts		Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
GDP	UAH bn	105.4	124.1	150.4	157.7	137.6	165.1	197.4	212.8	187.7	233.7	275.8	252.7
GDP (real)	% yoy	4.1	6.8	6.9	9.5	8.9	8.6	6.2	7.4	6.3	6.2	6.4	-8.0
Household consumption (real)	% yoy	20.2	18.2	11.8	9.9	14.7	15.5	15.2	19.0	22.5	13.3	16.7	1.6
State consumption (real)	% yoy	9.6	5.8	5.8	1.0	0.8	6.2	4.4	2.4	-0.2	1.3	-0.2	0.2
Gross fixed capital formation (real)	% yoy	19.9	19.3	17.9	18.3	24.4	23.5	18.9	23.8	19.4	12.0	0.1	-17.4
Exports of goods and services (real)	% yoy	-14.9	-9.6	3.2	1.0	4.9	5.2	0.1	5.6	4.4	7.2	18.9	-10.4
Imports of goods and services (real)	% yoy	10.7	0.9	8.3	6.4	12.9	19.6	13.7	27.2	23.8	24.4	31.8	-4.2
Agriculture, hunting, forestry (real)*	% yoy	3.8	2.8	-5.6	8.1	4.8	6.8	-9.3	7.1	0.5	-0.5	21.9	20.7
Manufacturing industry (real)*	% yoy	-1.5	6.1	7.3	7.2	15.0	13.2	13.1	4.4	9.0	9.4	1.8	-22.6
Construction (real)*	% yoy	0.1	0.8	1.4	4.2	13.3	8.2	12.7	5.8	-1.5	-6.3	-17.0	-32.7
Trade, repair services (real)*	% yoy	6.2	16.4	20.0	21.9	14.3	17.5	25.3	15.0	15.7	10.9	2.2	-13.9
Transport (real)*	% yoy	4.9	7.7	9.4	5.3	7.0	5.6	8.0	10.2	10.2	14.1	10.8	-4.3
Balance of payments													
Current account balance	USD bn	-0.8	0.0	0.5	-1.4	-1.1	-0.6	-0.3	-3.257	-3.7	-3.4	-2.1	-3.7
Current account balance	% of GDP	-3.7	0.0	1.7	-4.3	-4.0	-1.9	-0.8	-7.7	-10.0	-7.2	-3.7	-9.2
Trade balance in goods	USD m	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4670	-4401	-4121	-3742
Trade balance in services	USD m	219	506	1054	347	50	448	1614	308	219	492	1544	159
Current transfers	USD m	622	790	851	910	732	844	947	1016	740	833	831	723
Direct investment (FDI)	USD m	1153	1489	1736	1359	1709	1934	3927	1648	2430	3091	3324	838
Portfolio investments	USD m	4	-141	370	3350	1816	1477	616	1844	217	160	-690	-967.0
Gross international reserves	USD bn	17.3	17.7	19.2	22.4	23.0	25.9	30.7	32.5	33.2	35.5	37.5	31.5
Exchange rate(market), UAH/USD	aop	5.06	5.02	5.02	5.03	5.04	5.02	5.01	5.04	5.03	4.79	4.70	6.49
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.96	4.85	6.21
Fiscal indicators													
Consolidated fiscal revenues	% of GDP	31.2	31.7	31.9	32.8	33.3	32.8	30.8	31.1	32.9	32.0	29.5	31.6
Personal income tax	% of GDP	4.4	4.6	4.1	4.1	5.1	5.3	4.9	4.8	5.2	5.1	4.3	4.9
Enterprise profits tax	% of GDP	3.4	4.6	4.3	6.7	3.8	4.1	4.1	6.4	4.2	4.5	5.0	6.3
Value-added tax	% of GDP	9.2	9.2	9.7	9.3	10.4	9.8	8.7	7.6	10.6	10.9	9.8	7.8
Excise tax	% of GDP	1.8	1.7	1.5	1.5	1.8	1.7	1.6	1.3	1.5	1.3	1.2	1.4
Consolidated fiscal expenditures	% of GDP	30.9	32.8	29.4	36.6	28.4	31.0	29.6	36.7	29.8	31.6	27.2	41.2
Current expenditures	% of GDP	28.9	29.7	24.9	29.2	26.9	28.4	25.9	27.3	28.9	28.5	22.4	33.8
Capital expenditures	% of GDP	1.9	3.2	4.5	7.4	1.6	2.6	3.7	9.4	1.0	3.1	4.8	7.4
Consolidated fiscal balance	% of GDP	-0.4	1.1	-2.4	4.0	4.7	1.7	1.2	-6.2	3.0	0.4	1.9	-10.3
Privatisation receipts	% of GDP	0.1	0.1	0.1	0.1	0.5	0.5	0.3	0.4	0.1	0.0	0.0	0.0
Labour market													
Average wage (real)	% yoy	23.8	22.6	18.8	11.3	14.7	13.9	14.9	15.7	13.8	7.1	7.1	1.1
Household income (real)	% yoy	22.1	18.6	20.3	16.3	17.5	17.4	14.9	16.4	19.0	10.1	6.6	2.7
Unemployment rate (ILO methodology)	% cum	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	7.1	6.2	6.0	7.5
Banking system													
Monetary aggregate M0	% yoy cum	36.2	25.3	23.7	24.5	26.2	30.6	41.1	48.2	48.4	48.6	37.9	39.3
Monetary aggregate M2	% yoy cum	39.2	36.6	36.7	34.3	38.6	40.7	47.8	50.8	52.7	48.8	37.4	31.0
Household deposits in national currency	% yoy cum	54.6	41.1	39.7	37.3	50.7	56.3	64.8	71.9	68.8	68.2	53.3	8.3
Household deposits in foreign currency	% yoy cum	54.5	66.2	64.3	57.5	52.3	43.8	38.4	32.5	35.2	32.9	31.2	66.1
Com. bank credits in national currency	% yoy cum	59.8	53.7	49.0	52.3	52.4	57.2	60.7	72.7	81.2	70.7	53.4	37.0
Com. bank credits in foreign currency	% yoy cum	72.0	82.1	90.4	95.4	98.9	97.4	91.0	75.4	71.3	57.9	61.0	94.2
Long-term com. bank credits	% yoy cum	87.6	86.7	76.6	79.5	84.1	86.5	87.9	85.7	84.8	67.2	50.9	73.3
Long-term com. bank credits	% of total	63.1	63.4	63.5	64.9	65.8	67.3	68.2	69.2	69.1	68.6	66.8	69.8
Average lending rate on national currency credits	% p.a.	15.8	15.5	14.6	15.1	14.0	13.9	13.7	14.0	14.6	17.3	17.1	21.1
Average lending rate on foreign currency credits	% p.a.	11.5	11.3	11.3	11.5	11.5	11.4	11.3	11.1	10.8	11.4	12.1	12.3

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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